

## PROJECT APPRAISAL REPORT (PAR)

4890677-45/PS

PAGE 1

1. PROJECT NO. 489-15-930-677	2. PAR FOR PERIOD: 1/71 TO 12/71	3. COUNTRY Korea	4. PAR SERIAL NO. 72 - 3
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5. PROJECT TITLE

Private Enterprise Development

A.I.D. PD-PAO-458-D1  
Reference Center

6. PROJECT DURATION: Began FY 1/71 Ends FY 12/71	7. DATE LATEST PROP 11/71	8. DATE LATEST PIP N/A	9. DATE PRIOR PAR First PAR
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10. U.S. FUNDING	a. Cumulative Obligation Thru Prio. FY: \$ 115	b. Current FY Estimated Budget: \$ 204	c. Estimated Budget to completion After Current FY: \$ 824
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## 11. KEY ACTION AGENTS (Contractor, Participating Agency or Voluntary Agency)

a. NAME	b. CONTRACT, PASA OR VOL. AG. NO.
Professors Patrick & Cole	
Financial Institutions Advisors	Direct Hire Consultants
Spencer Marsh	
Commercial Paper Advisor	Direct Hire Consultant

## I. NEW ACTIONS PROPOSED AND REQUESTED AS A RESULT OF THIS EVALUATION

A. ACTION (X)			B. LIST OF ACTIONS	C. PROPOSED ACTION COMPLETION DATE
USAID	AID/W	HOST		
X	X		1. Determine the appropriate means for acquiring the consultative skills required for project implementation and initiate documentation to assure timely arrival of consultants.	Immediate USAID - Feb 15, 1972 AID/W - ASAP
X			2. Initiate a dialogue with appropriate ROKG <del>Ministries</del> to develop an organizational base to sponsor and manage this project.	Immediate June 1972
X			3. Review and re-define the input requirements of the DH project manager and technician(s) to facilitate project implementation and development.	Immediate Feb. 29, 1972

D. REPLANNING REQUIRES		E. DATE OF MISSION REVIEW					
REVISED OR NEW:	<input type="checkbox"/> PROP <input type="checkbox"/> PIP <input type="checkbox"/> PRO AG <input type="checkbox"/> PIO/T <input type="checkbox"/> PIO/C <input checked="" type="checkbox"/> PIO/P	January 1972					
PROJECT MANAGER: TYPED NAME, SIGNED INITIALS AND DATE				MISSION DIRECTOR: TYPED NAME, SIGNED INITIALS AND DATE			
Marvin J. Winship <i>Marvin J. Winship</i>				Michael H. B. Adler <i>Michael H. B. Adler</i>			

AID 1020-25 (10-70)	PROJECT NO.	PAR FOR PERIOD:	COUNTRY	PAR SERIAL NO.
PAGE 2 PAR	489-15-930-677	TO 1/71 - 12/71	Korea	72 - 3

## II. PERFORMANCE OF KEY INPUTS AND ACTION AGENTS

A. INPUT OR ACTION AGENT		B. PERFORMANCE AGAINST PLAN							C. IMPORTANCE FOR ACHIEVING PROJECT PURPOSE (X)				
CONTRACTOR, PARTICIPATING AGENCY OR VOLUNTARY AGENCY		UNSATISFACTORY		SATISFACTORY			OUT- STANDING		LOW	MEDIUM			HIGH
		1	2	3	4	5	6	7	1	2	3	4	5
1.	Professors Patrick & Cole Financial Institutions Consultants						X						X
2.	Spencer Marsh Commercial Paper Consultant						X						X
3.													

Comment on key factors determining rating

The consultants <sup>/Patrick & Cole</sup> were instrumental in the success of the Capital Market-Financial Institutions Seminar. The Minister of Finance, who attended, stated that they "had a profound impact on ROKG planning". This success was merely one of several, beyond plans, that argued for a high rating of their consultative services. Subsequently another consultant <sup>/Marsh</sup> was made available whose performance produced new short term money policy and a draft proposal of an organic law for commercial paper institutions.

4. PARTICIPANT TRAINING	1	2	3	4	5	6	7	1	2	3	4	5
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Comment on key factors determining rating

N/A

5. COMMODITIES	1	2	3	4	5	6	7	1	2	3	4	5
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Comment on key factors determining rating

N/A

6. COOPERATING COUNTRY	a. PERSONNEL	1	2	3	4	5	6	7	1	2	3	4	5
	b. OTHER			X									X

Comment on key factors determining rating

Project implementation was delayed, with the exception of the consultative services of Patrick, Cole and Marsh, because of difficulty in recruiting the DH project manager.

The proposed draft organic law for commercial paper institutions has not been passed, as yet, by the National Assembly because of extended debate on the ROKG annual budget and the recently declared state of national emergency.

7. OTHER DONORS	N/A	1	2	3	4	5	6	7	1	2	3	4	5
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(See Next Page for Comments on Other Donors)

AID 1020-25(10-70)	PROJECT NO. 484-15-930-677	PAR FOR PERIOD: 1/71 - 12/71	COUNTRY Korea	PAR SERIAL NO. 72 - 3
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II. 7. Continued: Comment on key factors determining rating of Other Donors

N/A

### III. KEY OUTPUT INDICATORS AND TARGETS

A. QUANTITATIVE INDICATORS FOR MAJOR OUTPUTS		TARGETS (Percentage/Rate/Amount)					
		CUMU- LATIVE PRIOR FY	CURRENT FY 72		FY 73	FY 74	END OF PROJECT
			TO DATE	TO END			
1. Legislative changes proposed: commercial paper enabling & organic law.	PLANNED	0	2	2	0	0	2
	ACTUAL PERFORMANCE	0	2				
	REPLANNED			0	0	0	0
2. FCIL amendments.	PLANNED	0	0	0	5	5	10
	ACTUAL PERFORMANCE	0	0				
	REPLANNED			0	0	0	0
3. Accounting and tax law amendments as they affect private enterprise.	PLANNED	0	0	0	3	4	7
	ACTUAL PERFORMANCE	0	0				
	REPLANNED			0	0	0	0
4. New FCIL for ancillary service industries.	PLANNED	0	1	1	3	4	8
	ACTUAL PERFORMANCE	0	1				
	REPLANNED			0	0	0	0
B. QUALITATIVE INDICATORS FOR MAJOR OUTPUTS		COMMENT: A commitment was made by the Minister of Finance in a speech at the seminar to put into private hands all commercial banks. One bank was planned to be transferred in CY 1971. This did not happen because it was impossible to restructure the bank's equity and sell it through the stock exchange within the CY. The Minister of Finance judged the seminar's impact to be important for Korean financial planning; the first financial institution was created on the basis of a seminar recommendation.					
1. Impact of the capital market/financial institutions seminar on ROKG policy and practices.		COMMENT: The Private Enterprise Development Project needed extensive redesign to reflect direct response to ROKG and private sector established priorities. With the full cooperation and advice of Government Ministries, (EPB, MOF, and MCI) and the Private Sector (FKI and KCC), the project was redesigned in FY '72 to formulate a more meaningful purpose. The new purpose is to alleviate constraints inhibiting private sector development and to transfer management skills requisite thereto.					
2. Cooperative project redesign.							
3.							

AID 1020-25 (10-70)	PROJECT NO.	PAR FOR PERIOD:	COUNTRY	PAR SERIAL NO.
PAGE 4 PAR	489-15-930-677	1/71 - 12/71	Korea	72 - 3

#### IV. PROJECT PURPOSE

A. 1. Statement of purpose as currently envisaged.

2. Same as in PROP? ☒ YES ☐ NO

To alleviate constraints inhibiting Private Sector development.

B. 1. Conditions which will exist when above purpose is achieved.	2. Evidence to date of progress toward these conditions.
1. Foreign Capital Inducement Law will have been amended to alleviate present constraints.	Critique and review of Foreign Capital Inducement Law is underway. The American foreign investors and the Korean private sector are reviewing the law.
2. A re-structuring of the Stock Exchange will have taken place with new laws, regulations and equity market trading practices installed.	The ROKG has continued to transfer government owned companies to the private sector; e.g. 63 of 103 thus reducing current government ownership by 40 over the Second Five Year Plan period (1967-71). Current ROKG practice is to continue, over the Third Five Year Plan period (1972-76), to reduce further from 63 to 30. The ROK President's New Year message reiterated the government's position.
3. There will be a revision of those portions of the Korean tax laws affecting business with new regulations and business practices.	Some changes affecting business were made in the amendments to the tax laws recently passed by the National Assembly as a step toward a new business tax law.
4. There will be amendments to accounting laws with reference to those portions affecting business including new regulations and business practices.	
5. Specific new ancillary service industries will have been created to offer necessary supportive services to private enterprise.	A new commercial paper company was organized as a new financial institution to service business.
6. A technically trained cadre of capable managers in business finance and business operations will exist.	

#### V. PROGRAMMING GOAL

A. Statement of Programming Goal

To establish a self-sustaining private sector.

B. Will the achievement of the project purpose make a significant contribution to the programming goal, given the magnitude of the national problem? Cite evidence.

The only hard evidence to date that achievement of the project purpose will make a significant contribution to the goal is the testimony, during project redesign, of twenty two ROKG (EPB, MOF and MCI) and private sector representatives (KCC and FKI). They assumed, and so stated, that if certain constraints inhibiting private sector development were alleviated then there could be a self-sustaining private sector in Korea. USAID agrees with that assumption.